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Key Factors Influencing Financial and Monetary Security: A Case Study in Vietnam

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Abstract

Background: Economic security, mainly financial and monetary security, is an integral component of national security. It facilitates the sustainable development of the national economy and addresses the country's demands. It enhances job opportunities and can adapt flexibly and efficiently to variations in the global context.
Objective: The study aims to explore the key factors influencing financial and monetary security in Vietnam. Besides, the author proposed policy recommendations for fostering financial and monetary security.
Methodology: The author conducted a group discussion with 30 managers with doctoral degrees in economic and financial management, quantitative methods, and primary data collected directly from the sample size of 500 economic experts from five major cities in Vietnam, using a random sampling technique and online survey and applied structure model.
Result: The results show that five key factors affect financial and monetary security with a significant level of 0.01, with which fiscal and monetary policies strongly impact. The five factors are, fiscal and monetary policy (FMP), bank risk management (BRM), legal and regulatory environment (LRE), economic and political stability (EPS) and Inflation and exchange rates (IER).
Conclusion: Financial and monetary security are essential for Vietnam's sustainable development, especially in a volatile world.
Unique Contribution: Financial and monetary security plays an important role and is very significant for the current economy, especially for the sustainable development of a country, especially in Vietnam.
Key Recommendation: Based on the research results, Vietnam needs to implement flexible and proactive fiscal and monetary policies and promote sustainable public debt restructuring, improve debt management efficiency, strengthen risk management, and proactively adapt to the trend of decentralisation and integration in the global financial system.
Keywords: Fiscal, monetary policy, economic security, financial, and bank risk management.

Introduction

In recent years, the world situation has undergone many rapid, complex, and unpredictable changes, with many unprecedented developments beyond the forecasts of international organisations and countries regarding economics, politics, and security, strongly affecting production, business, and investment activities. Geopolitical and geoeconomic competition between major countries has been fierce; the global economy has faced increasingly more significant challenges with many increasing risks (Hodula & Pfeifer, 2018; Wang et al., 2023). The Russia-Ukraine conflict in 2022 led to local disruptions in supply chains and production, strong fluctuations, and increases in gasoline, oil, and input material prices, pushing world inflation to increase rapidly, reaching its highest level. Countries and economic regions have tightened monetary policies, prolonged interest rate increases, and strong fluctuations in exchange rates in many countries and territories. Demand for consumer goods has decreased while financial support for people and businesses has gradually recovered due to the negative impact of the Covid-19 pandemic. Economic growth has slowed in many countries due to limited room for growth arising from competition for position among significant powers and internal problems in some key economies. In addition, non-traditional security challenges, climate change, natural disasters, storms and floods, etc., are occurring on a large scale, causing damage in many regions worldwide (Schrank, 2024; Gürkaynak et al., 2022).

In 2024, Vietnam's socio-economic situation in our country will take place in a favourable context, with opportunities, difficulties, and challenges intertwined, but the problems and challenges are more significant. Vietnam has essential advantages such as a stable political, social, and security situation and controlled epidemics, but the economy faces many difficulties and challenges from both external and internal factors. The economic scale is still modest, openness is significant, and resilience and adaptability are limited, so the domestic economy is greatly affected and very sensitive to external developments; production and business activities of people and enterprises, when heavily impacted by the COVID-19 pandemic need time and support to recover. Inflationary pressure has increased recently; gasoline and raw material prices have fluctuated enormously; demand from large, traditional markets has declined; production and business face many difficulties. Besides, epidemics, climate change, natural disasters, storms, and floods are complicated, causing business and people's lives.

With its achievements after nearly 40 years of renovation, Vietnam has laid a solid foundation for the subsequent development of the financial and monetary sectors. The fundamental market economic institution has been formed and is constantly being improved; international integration is much deeper and broader than in the previous period; the process of financial restructuring in depth is an opportunity to help increase the efficiency of capital use, businesses operate more effectively, increase profits and reduce risks for the banking system. The demand for retail banking services is also increasing based on the advantages of a young population structure and the current low rate of access to banking services among the people. The development of science and technology will create strong driving forces for the development of the financial sector in the next few years. Therefore, this study aims to determine the factors influencing financial and monetary security in Vietnam and provide policy recommendations for managers to foster financial and monetary security.

Literature Review

Financial and monetary security (FMS)

After the Asian financial and monetary crisis a decade ago, the concept of "financial and monetary security" was mentioned and studied more extensively. It can be understood that financial and monetary security guarantees the financial and monetary system to operate safely and effectively, contributing to each country's socio-economic development and security stability (Halim et al., 2023). Financial and monetary security are components of economic security, which is the implementation of preventive tasks and the struggle to maintain the safety of the financial and monetary system's operations (Hussain & Bashir, 2020). Economic security - including financial and monetary security - is essential to national security in each country. Financial and monetary security has a dialectical relationship with other security areas in economic security and the many military and political security regions (Prakash et al., 2022). In the context of globalisation and international integration being a common trend, financial and monetary security is also subject to the impacts of the global financial system.

Fiscal and monetary policy (FMP)

Every nation's macroeconomic policy, including its fiscal and monetary policies, works together to achieve a common objective following its rules and regulations. Preserve essential economic balances and stabilise the economy; concurrently, there is a dynamic link (Zhang et al., 2023). Monetary and fiscal policies are two terms that always go together in every macroeconomic report and indicator that measures the central bank's management of an economy. Although each policy pursues a specific goal and complies with its own regulations, the goal is to stabilize the macro economy, ensure the economy is always in a state of balance, and maintain mutual interaction in the short, medium, and long term (Gao et al., 2021). The studies showed that fiscal policy is concerned with managing government revenue from taxes and expenditures on various projects, whereas monetary policy mainly concerns money movement throughout the economy (Wahab et al., 2021).

Bank risk management (BRM)

Bank risk management is the process by which commercial banks conduct activities that affect operational risks, including establishing an organisational structure, building a system of policies, management methods, and technology system solutions, setting up reports to carry out the risk management process, which is identifying, measuring, evaluating and controlling risks (Chavez et al., 2022). Bank risk management is vital in ensuring bank credit activities' safety and minimising risks in banking operations (Chugunov et al., 2021). Banking risk management is essential to detect, prevent, and promptly resolve risks, thereby limiting losses and ensuring efficiency and safety for commercial banks' operations (Jovetić et al., 2022). Thus, risk management directly determines the bank's operations. Thanks to this work, the bank can anticipate risks and provide timely solutions to the economy's complex problems.

Legal and regulatory environment (LRE)

The legal and regulatory environment is critical because any human activity will encounter conflicts without a solid legal environment. The legal environment in business activities includes legal regulations in legal documents and the operational efficiency of organisations implementing those regulations (Kraitzman & Genauer, 2023; Nga & Tam, 2024). The business legal environment stipulates that when subjects participate in business activities, they must comply with regulations on business establishment, contract signing, market participation, investment, competition, and regulations such as employment of employees, dissolution, bankruptcy, and resolution of arising disputes (Lonardo et al., 2020). In addition, through legal documents, the studies find out regulations on taxes, land, food safety and hygiene, product quality, etc. If the business does not operate in a legal environment, equality between business entities, the rights and interests of that business, and other entities are not guaranteed, and conflicts arise and are not resolved.

Economic and political stability (EPS)

The economic and political environment directly impacts businesses, business organisations, and industries. Companies must research the country's economic and political environment to position changes, trends, and strategies (Lee et al., 2023). The economic climate included economic factors at the local, national, or international level of each country in which businesses do business. Key characteristics of the economic environment include economic growth rates and unemployment rates, industry, trade deficit or surplus, savings rate, and per capita income (Ryu & Fan, 2023; Mastromatteo & Rossi, 2024). Besides, politics includes an element of stability, meaning it does not cause political upheavals that threaten the interests of all members of society or the country's ability to develop in the present and future.

Inflation and exchange rates (IER)

Exchange rates and inflation are two factors that majorly impact the Vietnamese economy. Exchange rates affect exports, imports, and foreign investment flows. Meanwhile, inflation affects commodity prices, wages, and consumer purchasing power. Inflation is an increase in the prices of goods and services in an economy over a certain period, along with a loss of value of a particular currency (Ryu & Fan, 2023). Inflation is a common economic phenomenon in every country in all stages of economic development and is considered and measured by the consumer price index. Besides, an exchange rate is an index that measures the purchasing power value of two currencies (Lee et al., 2023). The exchange rate is the price at which one country or region's currency can be converted into the currency of another country or region at one time. Thus, it can be concluded that inflation and exchange rates are two tools of the state that help manage macroeconomic indicators and contribute to stabilising the economy.

Theoretical Framework

Fiscal and monetary policy affecting financial and monetary security

Monetary and fiscal policy is essential in maintaining a country's financial and monetary safety (Zhang et al., 2023). These policies can impact critical economic variables such as interest rates, inflation, exchange rates, and public debt, affecting the financial system's stability. Monetary policy is the measures a central bank uses to control the money supply, interest rates, and credit to achieve economic goals such as controlling inflation, maintaining economic growth, and stabilising exchange rate determination (Wahab et al., 2021; Gao et al., 2021). Fiscal policy involves adjusting government spending and taxes to manage budget deficits or surpluses, control public debt, and maintain economic stability, H1 proposed in Figure 1.

Bank risk management affecting financial and monetary security

Bank risk management is one of the most critical factors in maintaining a country's financial and monetary safety. An efficient banking system with sound risk management will help maintain financial stability, protect financial institutions from economic shocks, and prevent financial crises (Chavez et al., 2022; Chugunov et al., 2021). When bad debts increase, the banking system will have difficulty maintaining liquidity, which can lead to insolvency. A banking crisis and the stability of the financial and monetary system are both put at risk when numerous banks face this difficulty. Managing bank risk significantly affects monetary and financial stability (Jovetić et al., 2022). Managing risks related to credit, liquidity, operations, interest rates, and markets is crucial to safeguard the financial system. Not only does good risk management shield individual banks from losses, but it also keeps the whole monetary and financial system stable, warding off catastrophic crises. Thus, hypothesis 2 in Figure 1.

Legal and regulatory environment influencing financial and monetary security

The regulatory and legal climate is crucial for a country's financial and monetary security. To keep the banking and financial system running smoothly, minimise risks, and avoid financial crises, a framework is established by legal rules (Kraitzman & Genauer, 2023; Nga & Tam, 2024). The stability and security of the financial and monetary system are guaranteed by a robust and efficient regulatory framework, which also safeguards investors and depositors. Controlling risks, monitoring financial operations, and preserving consumer rights are all financial and monetary safety aspects influenced by the legal and regulatory framework (Lonardo et al., 2020). A robust regulatory structure prevents financial crises, improves transparency, and preserves confidence in a nation's financial system. Efficacious risk management, more oversight, and better legal restrictions are all necessary for nations to maintain secure and sound financial systems in today's complicated global economy. Because of this, the author's H3 in Figure 1.

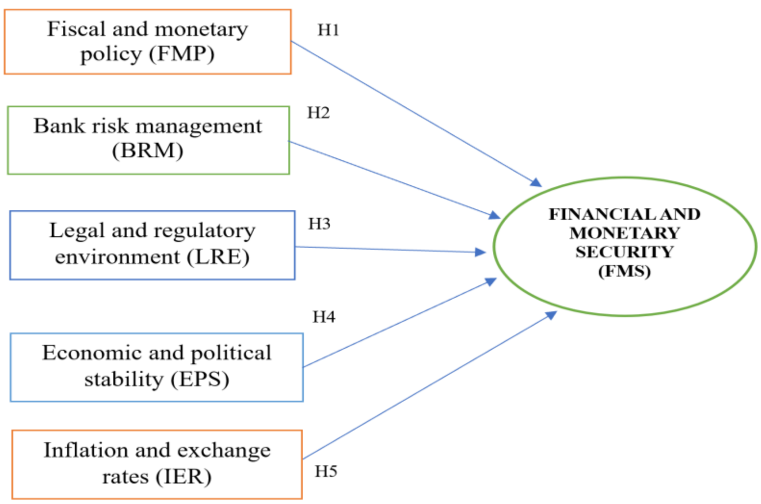
Economic and political stability affecting financial and monetary security

The economic and political environment has a profound impact on the financial and monetary security of a country. Stability or instability in economic and political factors will directly affect investor confidence, the strength of the banking and financial system, and the flow of money into and out of the economy, contributing to financial and monetary security (Lee et al., 2023). The economic and political environment strongly impacts a country's financial and monetary security. Stable economic growth, solid politics, and a stable exchange rate are critical factors in maintaining confidence in the financial system. On the contrary, economic recession, high inflation, exchange rate fluctuations, and political instability can cause severe financial crises (Ryu & Fan, 2023; Mastromatteo & Rossi, 2024). The economic and financial policies of the government and central bank need to be flexibly adjusted to adapt to fluctuations in the economic and political environment to maintain the stability of the financial and monetary system and H4 in Figure 1.

Inflation and exchange rates affecting financial and monetary security

Inflation and exchange rates are macroeconomic factors that significantly impact financial and monetary security. They directly affect the purchasing power of money, borrowing costs, and the financial system's stability. Sharp fluctuations in inflation and exchange rates can cause financial crises if not managed well (Mastromatteo & Rossi, 2024). Inflation and exchange rates directly and strongly impact a country's financial and monetary security. Low inflation and stable exchange rates create conditions for the financial system to develop sustainably, minimising risks from bad debt and loss of liquidity. High inflation, hyperinflation, and sharp fluctuations in exchange rates can cause severe financial crises, causing a loss of confidence in the domestic currency and the banking system (Ryu & Fan, 2023). Monetary policies and foreign exchange management must be flexibly adjusted to maintain stable inflation and sustainable exchange rates, thereby protecting financial and monetary safety, H5 in Figure 1.

Based on related studies and analysed in detail above, the author has synthesised and relied on the 5 most frequently occurring factors affecting financial and monetary safety, including monetary policy and finance, banking risk management, legal and regulatory environment, economic and political environment, inflation and exchange rates, a research model can be built as follows in Figure 1:



Source: The author suggested

Figure 1: ***The framework for key five factors influencing the financial and monetary security in Vietnam***

Figure 1 illustrates that there are five key factors influencing the financial and monetary security in Vietnam: (1) fiscal and monetary policy (FMP), (2) bank risk management (BRM), (3) legal and regulatory environment (LRE), (4) economic and political stability (EPS) and (5) Inflation and exchange rates (IER).

Research Methods

These phases are necessary to examine, evaluate, and analyze the link between variables in a theoretical model and its detailed contents. Eight steps follow these stages.

In the first step, the author identified and conceptualised the problem based on the research challenge. Additionally, conceptual content was determined based on financial and monetary security theories. During this stage, you will be responsible for providing a theoretical overview of ideas associated with monetary and financial stability. Hair et al. (2018) studied both critical steps, establishing the linkages between the concepts in the study model and building an initial scale for factors affecting financial and monetary security.

Second, the author conducted empirical research and group discussions with fifteen company managers from essential cities and provinces in Vietnam to produce conceptual measures. These measures were then used to establish conceptual measurements in the second step. The provinces and cities in question were Hanoi, Da Nang, Hai Phong, Can Tho, and Ho Chi Minh City. On top of that, the author talked to fifteen different economists to get their take on how secure our financial situation is and what they think about it. This step involves fine-tuning and adjusting the amplitude of the notions to finish the process. Developing more model variables establishes an adjusted or "adjustable scale."

The third stage involved interpersonal interviews with thirty people, including fifteen economic experts and fifteen business managers. The author relied on the preliminary quantitative investigation to inform the initial data collection. The sample, consisting of economic specialists from different major cities, assessed the degree of financial and monetary security using a questionnaire developed in Step 2 (Hair et al., 2018).

The author checked the preliminary scale for validity and reliability in the fourth step. Of the 500 distributed responses, 475 were processed for this evaluation, which relied on exploratory factor analysis (EFA) and Cronbach's alpha. Among the most critical methods utilised are (i) Cronbach's alpha for scale dependability, which guarantees a coefficient greater than 0.6. (ii) Exploratory factor analysis (EFA) is used to verify the scale's validity according to requirements such as factor loading of less than 0.4 and ensuring factor uniqueness with a loading of less than 0.3. At least fifty percent of the total variance can be explained. (iii) The KMO value must be more than or equal to 0.5, and Bartlett's test must be performed with statistical significance (Sig < 0.05).

The author conducted formal data collection based on formal data collection, which is carried out through direct interviews with 500 economic experts using a random sample technique in important cities such as Ho Chi Minh City, Can Tho, Hai Phong, Da Nang, and Hanoi. Step 5: The author had formal data collection. SPSS version 20.0 and Amos software handle and evaluate the obtained data.

In the sixth round of testing, the author re-evaluated the scales' reliability using Cronbach's alpha. The results of the formal research formed the basis of this assessment.

Seventh, within the context of structural equation modelling (SEM), the author used exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) to delve further into the scale validity assessment. The collected data demonstrates that the scale is reliable and valid for SEM analysis (Hair et al., 2018).

Step 8: The author drew inferences and policy implications from the model testing results. In addition to building a research model and an anticipated size, the research synthesises essential theoretical foundations and investigations. Initial results from 30 people are used to establish the validity and reliability of the measure. The process begins with a critical examination, continues with official data collection and scale testing, and ends with policy recommendations and conclusions to bolster financial and monetary security.

Study Results

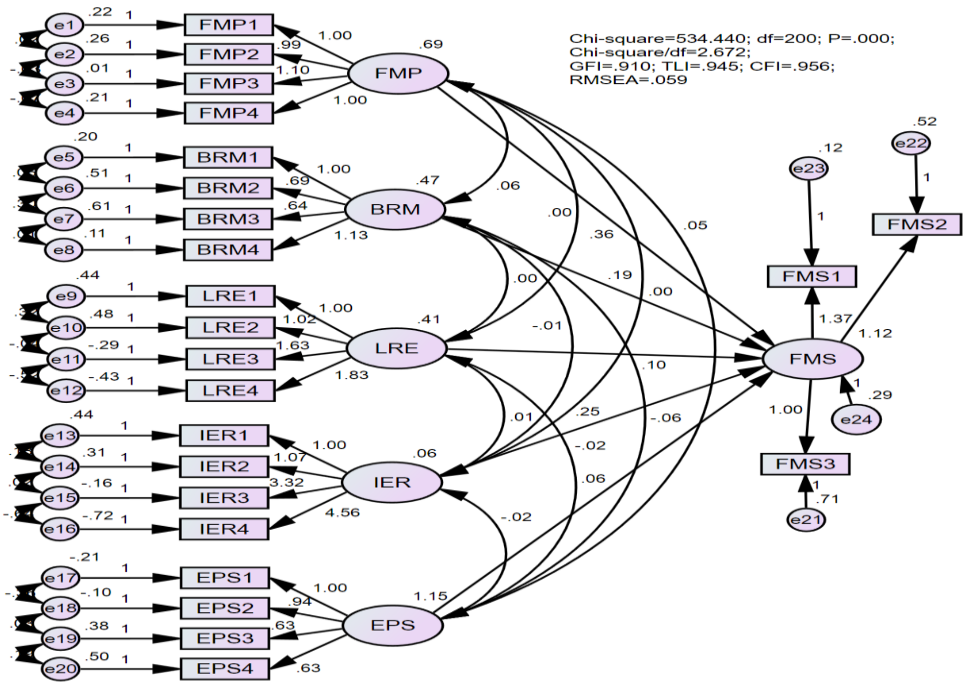
This study model integrates quantitative and qualitative methods to assess the significance of various variables influencing monetary and financial security. Please see Table 1 for a full rundown of the study's findings for deriving suitable policy recommendations for preventing financial system risks and advancing sustainable development.

Table 1: ***The results of testing Cronbach's alpha and average value for critical factors***

Items	Cronbach's alpha	Mean	Standard Deviation
Fiscal and monetary policy (FMP)	**0.936**	**3.074**	**0.951**
FMP1	0.912	3.059	0.953
FMP2	0.924	3.067	0.974
FMP3	0.902	3.116	0.926
FMP4	0.927	3.053	0.952
Bank risk management (BRM)	**0.835**	**3.509**	**0.853**
BRM1	0.782	3.535	0.814
BRM2	0.781	3.592	0.858
BRM3	0.824	3.421	0.900
BRM4	0.781	3.488	0.840
Legal and regulatory environment (LRE)	**0.945**	**3.025**	**0.941**
LRE1	0.921	3.017	0.928
LRE2	0.930	2.994	0.956
LRE3	0.936	3.076	0.899
LRE4	0.922	3.015	0.980
Economic and political stability (EPS)	**0.930**	**3.069**	**0.956**
EPS1	0.903	3.067	0.972
EPS2	0.908	3.080	0.956
EPS3	0.902	3.114	0.916
EPS4	0.923	3.015	0.980
Inflation and exchange rates (IER)	**0.813**	**2.384**	**0.676**
IER1	0.786	2.312	0.708
IER2	0.725	2.398	0.612
IER3	0.809	2.383	0.691
IER4	0.737	2.442	0.692
Financial and monetary security (FMS)	**0.797**	**3.259**	**1.013**
FMS1	0.665	3.436	0.953
FMS2	0.713	3.230	1.021
FMS3	0.794	3.112	1.064

Source: The author used SPSS 20.0, Amos.

Table 1 shows that all components have Cronbach's alpha values above 0.7, indicating satisfactory to extraordinary reliability. Additionally, Table 1 shows that (1) fiscal and monetary policy with Cronbach's Alpha is 0.936, and Mean is 3.074, and respondents agree on FMP's relevance. This high number indicates good internal consistency. Adjusting interest rates, high interest rates on debt repayment, budget deficits, and governmental debt are well-evaluated and favourably contribute to this scale. (2) Bank risk management with Cronbach's Alpha is 0.835, and the Mean is 3.509; this factor has the highest mean value, indicating that it is vital to financial stability. Essential factors include rigorous credit assessment criteria, uncontrolled credit growth, meeting withdrawal demands, and risk management. (3) The legal and regulatory environment with Cronbach's Alpha is 0.945, and the Mean is 3.025; the average value is significantly lower than BRM but still shows agreement on the relevance of regulatory policies. This high rating indicates that the legislative and regulatory environment strongly and persistently affects financial stability. Economic and political stability with Cronbach's Alpha is 0.930, and Mean is 3.069. Economic and political stability are almost as crucial as FMP. This high rating indicates the scale's economic and political stability. Political stability and economic prosperity help maintain financial system stability. (5) Inflation and exchange rates with Cronbach's Alpha is 0.813, and Mean is 2.384: The lowest mean value, indicating that these factors are negative, complex to control, and high-risk for the financial system. Good reliability but lower than other criteria. Regulating inflation and exchange rates may be difficult in countries with high economic instability. (6) Financial and monetary security with Cronbach's Alpha of 0.797 and Mean is 3.259; a high mean value indicates that this aspect is essential for financial security.



Source: The author used SPSS 20.0, Amos.

Figure 2: ***Testing key factors impacting on financial and monetary security***

Figure 2 demonstrates that Vietnam's financial and monetary security may be attributable to the combined and beneficial effects of effective fiscal and monetary policies, good bank risk management, economic and political stability, stable inflation and exchange rates, and political environment. These factors create a stable financial and monetary security in Vietnam.

Table 2: ***Testing five key factors influencing financial and monetary security***

Relationships			Standardized estimate	S.E	C.R	P value	SE-Bias	Result
FMS	<---	FMP	0.463	0.042	8.604	0.001	0.004	Accepted H1
FMS	<---	BRM	0.203	0.046	4.160	0.001	0.003	Accepted H2
FMS	<---	EPS	0.105	0.022	2.903	0.004	0.003	Accepted H4
FMS	<---	LRE	0.098	0.037	2.633	0.008	0.005	Accepted H3
FMS	<---	IER	0.093	0.062	4.013	0.001	0.002	Accepted H5

Source: The author used SPSS 20.0, Amos.

Table 2 presents the five essential factors that significantly impact financial and monetary stability in Vietnam. These factors have been determined to be statistically significant at the 0.01 level. The findings indicate that all five factors, fiscal and monetary policy, bank risk management, economic and political stability, legal and regulatory environment, and inflation and exchange rates, affect financial and monetary security statistically significantly. Their influence differs, with fiscal and monetary policy exerting the most significant impact while inflation and currency rates have the most negligible effect. Finally, the results of a Bootstrap test using 40.000 samples for factors influencing financial and monetary security.

Table 3: ***Key factors impacting on financial and monetary security in Vietnam***

Code	CR	AVE	MSV	ASV	Results
FMP	0.943	0.807	0.238	0.050	Very good
BRM	0.804	0.523	0.056	0.015	Very good
LRE	0.983	0.940	0.010	0.002	Very good
IER	0.991	0.993	0.009	0.004	Very good
EPS	0.952	0.839	0.011	0.006	Very good
FMS	0.801	0.581	0.238	0.064	Very good

Source: The author used SPSS 20.0, Amos.

According to the findings in Table 3, all principal components demonstrate exceptional internal consistency, characterised by elevated composite reliability (CR) and average variance extracted (AVE). The low MSV and ASV values signify negligible overlap among components, affirming that each factor is unique and significantly enhances overall financial and monetary stability comprehension.

Discussion of Findings

The results showed that all five hypotheses, H1 through H5, are validated, affirming that fiscal and monetary policy, bank risk management, economic and political stability, legal and regulatory frameworks, and inflation and exchange rates all influence financial and monetary security. Fiscal and monetary policy exert the most significant influence, followed by bank risk management, while inflation and exchange rates have the most negligible impact. According to these results, to improve financial security and maintain a stable political, economic, and regulatory climate, policymakers should focus on fiscal and monetary policies in addition to bank risk management and the discussion of findings following:

(1) The standardised estimate for fiscal and monetary policy is 0.463. As the most important of the five factors, fiscal and monetary policy favourably affects financial and monetary security. The relevance of fiscal and monetary policy in determining financial security is moderately agreed upon by respondents, with a mean score of 3.074. This is statistically significant with a P-value less than 0.01, and the result is accepted H1, with a P-value of 0.001 (Zhang et al., 2023). Accordingly, monetary and fiscal policies must perfectly harmonise for maximum effectiveness. Extreme inflation and monetary instability can result from the government's wasteful spending and the central bank's loose monetary policies for low interest rates and significant money supply. The financial market and the macroeconomy can remain stable if the two policies are well-coordinated.

(2) Bank risk management has a moderately beneficial influence on financial and monetary security, with a normalised value of 0.203. With a mean of 3.509 and a p-value of 0.001, the results support H2 (Chavez et al., 2022). Respondents strongly agree with this statement. Therefore, banks must implement stringent credit appraisal procedures to detect if a customer can return a loan and reduce the possibility of bad debt. Management of diversified credit portfolios: To lessen the blow of economic shocks, banks diversify their loan portfolios and spread their risk across several industries and locations.

(3) The standardised estimate for the legal and regulatory environment is 0.098, suggesting that this factor has a lower positive effect on financial and monetary security. This

factor's significance is moderately agreed upon, with a mean score of 3.025, accepting H3, and a p-value of 0.008 (Kraitzman & Genauer, 2023). To protect themselves from financial shocks, financial institutions are required by legislation to maintain a minimum capital ratio by preventing banks from going bankrupt; this rule safeguards the entire financial system.

(4) Political and economic stability positively impact Monetary and financial strength with a standardised estimate of 0.105. The approved result has a mean of 3.069 and a p-value of 0.004, accepting H4 (Ryu & Fan, 2023). Sustained economic development is one of the most essential monetary and financial stability components. Businesses and consumers can better pay back loans while the economy grows, which keeps the banking and financial system stable. The likelihood of a financial catastrophe or massive flight of capital can be reduced through sustained economic expansion, boosting investor confidence.

(5) inflation and exchange rates with the standardised estimate of 0.093 have the least beneficial impact among the five variables that affect monetary and financial stability. The result can be accepted H5 because the mean is 2.384 and the p-value is 0.001 (Mastromatteo & Rossi, 2024). For the sake of macroeconomic stability and the long-term health of the financial system, it is preferable to keep inflation low and stable so that the value of the home currency remains stable. With inflation under control, long-term planning becomes more accessible for individuals and companies, and investments and loans are perceived as less dangerous. As a result, financial institutions can reduce lousy debt risks and enhance liquidity.

Conclusion and Recommendations

Analysis results from survey data of 500 managers in Tables 1, 2, and 3 show that monetary and fiscal policy factors, banking risk management, legal environment, economics politics, and inflation and exchange rates all play an essential role in ensuring financial and monetary security. This research result can provide a foundation to propose policies to improve and maintain the financial system's stability, contributing to sustainable economic development. Moreover, fiscal and monetary policy plays the most substantial role in ensuring financial and monetary security, with a standardised estimate of 0.463. This finding underscores the criticality of government intervention through effective fiscal measures, such as balanced budgets and sound debt management, alongside central bank policies that regulate interest rates and money supply. These policies directly affect the macroeconomic stability of the country, influencing the overall health of the financial sector; policymakers should prioritise:

(1) Improve the fiscal and monetary policy: Vietnam should prioritise macroeconomic stability by adopting a balanced approach to government spending, borrowing, and revenue generation. Implementing fiscal discipline by reducing budget deficits and ensuring sustainable public debt levels is essential to avoid putting excessive pressure on national financial systems. Central banks should focus on maintaining moderate inflation targets and employing interest rate adjustments as a flexible tool to support economic growth without triggering instability. Moreover, countercyclical fiscal policies, spending during downturns, and savings during booms should be adopted to stabilise the economy over time.

(2) Improve the bank risk management: Banks should further enhance their risk management frameworks by improving their credit risk assessment tools, liquidity management strategies, and capital adequacy monitoring. Regulators should mandate more frequent stress testing and scenario analysis to assess financial institutions' performance under various economic shocks, such as interest rate hikes, market volatility, or external liquidity crunches. Additionally, banks should integrate more advanced technology in their risk management systems, such as machine learning algorithms, to detect early warning signs of distress in borrower behaviour.

(3) Improve economic and political stability: Governments should pursue policies that ensure political stability and predictability in financial decision-making. This includes avoiding abrupt changes in monetary policies, maintaining transparent governance, and promoting

political inclusiveness to prevent social unrest. Governments should also adopt long-term economic strategies, such as industrial policy and infrastructure investment, that create stable economic growth and reduce volatility, enhancing financial stability.

(4) Improve the legal and regulatory environment: Vietnam should continue to refine legal frameworks to address emerging risks, such as those posed by financial innovation (e.g., fintech, cryptocurrencies). Additionally, regulations surrounding capital adequacy, anti-money laundering, and financial reporting should be enforced to ensure compliance and transparency across the sector. Introducing real-time data analytics in regulatory oversight can improve the detection of systemic risks and allow regulators to respond more swiftly.

(5) Improve the inflation and exchange rates: Governments and central banks should coordinate inflation control and exchange rate policies to maintain stable prices and ensure competitiveness in global markets. Exchange rate stabilisation can be achieved through targeted interventions in the foreign exchange market, while inflation-targeting frameworks can help anchor expectations and prevent runaway inflation. Developing a robust foreign exchange reserve buffer can protect the financial system from external shocks related to volatile capital flows or exchange rate fluctuations.

Limitations and future research: Despite the comprehensive analysis and findings, this study has limitations that should be acknowledged to provide a balanced perspective on the results. The study focused specifically on the context of Vietnam, limiting the generalizability of the findings to other countries with different economic and regulatory environments. Factors influencing financial and monetary security can vary significantly between developed and developing countries due to differences in economic structure, institutional capacity, and market dynamics. Future studies should incorporate broader macroeconomic factors, such as global economic trends, trade balances, capital flows, and commodity price fluctuations, to capture the impact of external shocks on financial and monetary security. Analysing how global financial instability or regional crises influence domestic financial security could provide deeper insights.

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